

# Zacks Small-Cap Research

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## Viomi Technology Co., Ltd (NASDAQ: VIOT)

### VIOT: Preannounced First Half Revenues Significantly Exceed Expectations

Strong first-half revenues and the declaration of a special dividend have offset concerns about the Chinese economy, providing strong tailwinds to Viomi's shares this summer. We are encouraged by these developments, but we are maintaining our 12-month valuation target at \$4.00/ADS until updated financial statements are filed with the SEC.

Current Price (8/22/25) **\$3.67**  
Valuation **\$4.00**

### OUTLOOK

Viomi preannounced first-half 2025 revenues of more than RMB1.4 billion (estimated at over \$193 million), which significantly exceeded our forecasts by nearly 50% and were up 70% compared to 2024 results.

The company will likely file its delayed 2024 20-F in September and the half-year results in October.

Historically, the second half of the year has been the strongest for the company, so we are very encouraged by the first half's revenue performance. We updated our model to reflect the first half revenues and we will review our price target once the complete first-half results are released.

### SUMMARY DATA

52-Week High **\$4.33**  
52-Week Low **\$1.13**  
One-Year Return (%) **108%**  
Beta **0.18**  
Average Daily Volume (sh) **713,835**

Shares Outstanding (mil) **69**  
Market Capitalization (\$mil) **\$253**  
Short Interest Ratio (days) **N/A**  
Institutional Ownership (%) **1**  
Insider Ownership (%)\* **34**

Annual Cash Dividend **\$0.00**  
Dividend Yield (%) **0.00**

#### 5-Yr. Historical Growth Rates

Sales (%) **N/A**  
Earnings Per Share (%) **N/A**  
Dividend (%) **N/A**

P/E using TTM EPS **N/A**

P/E using 2025 Estimate **10.1**

P/E using 2026 Estimate **8.7**

Risk Level **High**  
Type of Stock **Small-Value**  
Industry **Home water filtration**

### ZACKS ESTIMATES

#### Revenue (in millions of \$)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2023		102 A		123 A	225 A
2024		115 A		176 A	290 A
2025		189 E		205 E	395 E
2026		148 E		228 E	376 E

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2023		\$0.06 A		\$0.17 A	\$0.23 A
2024		\$0.01 A		\$0.11 A	\$0.13 A
2025		\$0.12 E		\$0.24 E	\$0.36 E
2026		\$0.12 E		\$0.30 E	\$0.42 E

Zacks Projected EPS Growth Rate - Next 5 Years % **20%**

\*2023 & 2024 Revenues Restated/EPS reflect continuing operations

\*6 month revenues and EPS may not sum due to different exchange rates

\*Insiders control 60% of voting rights

## KEY POINTS



Source: company presentation

- Viomi's (NASDAQ: VIOT) preannounced first-half 2025 revenues of more than RMB1.4 billion (approximately \$193 million), which significantly exceeded our forecast of \$131 million by nearly 50%. According to the company, these revenues were up "more than 70% versus the first half of 2024 results."
- The company indicated in a press release announcing its first-half revenue that "supportive government policies" helped drive the outperformance. In January 2025, China's National Development and Reform Commission and Ministry of Finance announced a new program to encourage consumers to upgrade several home appliance categories, including refrigerators, televisions, air conditioners, water heaters, and water purifiers. The trade-in program enables consumers to receive up to 20% of the sale price of an item as a subsidy. The 2025 amendments to the program added microwaves, water purifiers, dishwashers, and rice cookers<sup>1</sup> to the list of eligible appliances, which seems to have benefited Viomi as consumers used the subsidy to lower the cost of owning an advanced water purification system.
- We believe the company is still working with its auditors to file its previously delayed 2024 20-F. If the company can complete that filing in September, we could see the half-year 2025 unaudited financial statements released in October.
- Historically, the second half of the year is the strongest for the company as several key shopping holidays in China fall in this period (11/11 and 12/12, in particular). At this point, it is unclear whether the government subsidies have pulled forward demand that would have typically fallen in the second half of the year. However, it is likely that if the company's installed base of water purification units has increased, then the subsequent sales of replacement filters in 2026 and beyond will offset any changes in overall revenue projections.
- In July, Viomi announced that it had approved a special dividend of 8.8 cents per ADR, estimated to be a total distribution of approximately \$6 million to shareholders. Given that the stock was trading at roughly \$3 per share as of the date of this announcement, this equates to a roughly 3% yield for ADS holders, which was paid to ADS holders of record on August 21st. At the time of the special dividend announcement, the company cited operating efficiency as a factor in the decision to issue the special dividend. We also believe that the company's strong first-half performance was a contributing factor in the decision to issue the special dividend.
- Investors have not shared our concerns around the company's inability to file its annual report on Form 20-F with the SEC, instead focusing on the latest results and pushing the stock higher by roughly 100% in just the last two months.
- We are not yet adjusting our price target, as we would like to see the full-year audited financial statements and the half-year income statement before making any changes. We have updated our model to reflect the revenue number previously released for the first half of 2025, and we have adjusted our model to account for what we assume will be higher selling costs.
- Our 12-month target valuation remains \$4.00 per ADS for the time being; however, we will reevaluate this target once the full financial results are released.

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## DRIVERS OF FIRST HALF OUTPERFORMANCE

While we expected the government subsidies targeting home appliance upgrades to have a positive effect on revenues in the first half, we certainly did not anticipate the 70% year-over-year growth reported by Viomi. Although it will likely be another 6-8 weeks before the company issues a complete, unaudited income statement for the first half of 2025, we believe several factors contributed to the strong first-half results.

1. The 20% subsidy on water purifiers appears to have had the desired effect of stimulating demand for the company's reverse osmosis units. We can only speculate at this point, but we believe Xiaomi (an investor in Viomi and the company's largest customer) was the primary driver of this outperformance. In the second quarter, large home appliance sales at Xiaomi surged 66% during the reporting period, and we believe that the 70% jump in first-half sales for Viomi manufactured water purifiers would not be out of line based on that data.
2. Consumer awareness of the need for clean drinking water continues to expand in China, and recent innovations, such as at-home mineral water produced by Viomi's Kunlun 4 Pro Alkaline Mineral Water Purifier, have helped boost sales. The demand for water filtration products that go beyond simple filtration and offer added health benefits, such as in-home filtered mineral water, continues to grow in China, reaching almost 10% of the market in recent market estimates.
3. While the adoption of water filtration technologies continues to grow in China, the total market penetration remains at about one-third of that in most Western nations, providing ample room for growth for domestic water filtration companies like Viomi. Within this market, under-sink reverse osmosis systems appear to be the products experiencing the highest growth rates.
4. Finally, the increased features on the most popular filtration systems sold in China appear to be leading to higher average prices for units; however, with subsidies from the Chinese government, the average out-of-pocket price for consumers has likely fallen in the past year.

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## RISING TIDES LIFT ALL SHIPS?

Several of the companies that compete directly with Viomi in the domestic Chinese market, namely, Midea, Haier, and Shenzhen Angel Drinking Water, have business lines beyond home water filtration so it is difficult to gauge how much of Viomi's outperformance in the first half of 2025 is due to company specific initiatives and how much is due to general market growth.

The results from these competitors have shown growth from 2024 to 2025. Still, none of the companies in this market have demonstrated 70% growth as Viomi reported, so it will take some time to determine if the market is growing rapidly or if Viomi (and its partner Xiaomi) are gaining enough market share to fuel the substantial topline growth.

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## VALUATION

Viomi has reported first-half revenues that significantly exceeded our projections; however, at this point, the company has yet to file its 2024 audited financial statements and has not released any details about the first-half income statement beyond the revenue number. When coupled with the company's previously announced dismissal of PwC as its auditor, we believe investors have an incomplete picture of Viomi's current financial condition.

Xiaomi's position in the water purification market is likely to have strengthened in 2025, and with the introduction of the new Kunlun product line from Viomi, the company is likely to gain market share in a growing market. At this point, we have updated our model to reflect the strong first-half results, and we do not assume that the first-half performance has pulled forward demand that we modeled for the second half of 2025. The company has not disclosed any information regarding margins and revenue breakdown between Xiaomi and Viomi sales. We will update our model after this information is disclosed. For the time being, we have elected to update our revenue estimate for 2025 to reflect the company's strong performance in the first half of 2025. We will further adjust our model after the release of the company's 2024 20-F and the complete income statement for the first half of 2025. Our new EPS estimates are now \$0.36/ADS in 2025 and \$0.42/ADS in 2026, but we believe that both of these estimates have upside potential given the strong first-half performance from Viomi.

Viomi's shares have surged during the summer, following strong results from other home appliance companies in China and news that first-half revenue grew by more than 70%. For now, we are leaving our twelve-month valuation target for Viomi unchanged at \$4.00/ADS, but we will reevaluate this target as additional financial results are released.

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## OVERVIEW

Viomi Technology Co., Ltd (NASDAQ: VIOT) operates in China, offering water filtration, mineralization systems, and related products as of September 2024. The company has undergone a significant transformation in the past few years and we feel that this transformation from a large, multi-line, unprofitable home appliance and connected home device company into a significantly smaller, yet profitable, water solutions and kitchen appliance company has not been fully understood by investors.

Since the company's IPO in 2018, Viomi has been principally engaged in manufacturing more than 60 products for the Internet of Things (IoT) and home appliance market that sought to offer consumers a cost-effective way to take advantage of increasing connectivity in the home. In the face of stiff competition for connected devices in the home and economic challenges after the COVID-19 pandemic, the company's overall business contracted meaningfully in recent years, with revenue falling from \$832 million in 2021 to just \$351 million in 2023.

The substantial drop in demand and revenue led the management team to completely reassess the company's position in the market in 2024. As a result of this analysis, the company announced in mid-July its intention to divest the company's money-losing IoT business to the company's founder and CEO, Mr. Xiaoping Chen, in exchange for RMB 65 million (just over \$9 million USD). The divestiture of what was historically the company's most significant revenue contributor for less than \$10 million may have caused some concern for investors, but it appears to be the easiest way for the company to focus on its profitable water solutions business.

The ongoing operations of Viomi Technology as of the 8/31/24 divestiture are principally related to the sale of

1. Home water systems – under sink filters systems, whole house filters, water softeners, water heaters and water quality meters
2. Consumables – water filters
3. Kitchen appliances and other services – range hoods, gas stoves, small appliances, and installation services.

The company's water purification products are sold under both the Viomi brand and the Xiaomi brand (1810.HK HKSE). Xiaomi is the \$90 billion smartphone, EV, and consumer electronics giant based in China.

## VIOMI'S PRODUCT LINEUP

Figure 1: Viomi's Water Filtration Products



Source: Company Investor Presentation 2024

Viomi's water filtration products consist of under-the-sink reverse osmosis filtration systems, whole house filtration systems, and various small countertop products.

**Under-the-sink reverse osmosis products** – The company has a variety of product offerings in the under-the-sink category but the flow rate of the water, the levels of filtration and the degree of connectivity are the key differentiators. Higher flow rates are valued by some consumers who wish to fill large bottles or pots for cooking but it should be noted that these higher flow rates may impact the life of the reverse osmosis membrane because the force of the water being pushed through the membrane will be higher. The company's standard models marketed under the Viomi brand sell for an average price of between RMB 2,000 and RMB 3,000 (\$275-\$400) while the carbon filter replacements are around RMB 300 – 400 (\$40-\$55 - higher if it includes mineralization) and the reverse osmosis filters are around RMB 800 – 1000 (\$110-\$140).

In March 2024, the company introduced a new line of purifiers called the Kunlun series that not only filters the water coming into a home but also adds up to 6 minerals back to the water to create a "mineral water"-like experience from the tap. While reverse osmosis systems are valued for the ability to remove all contaminants, the process also removes beneficial minerals like calcium, magnesium, or iron. Health-conscious consumers are looking for ways to ensure they have safe drinking water while still consuming these positive minerals and the Kunlun series allows consumers to add these minerals back to the water before consumption.

## RISKS

- Xiaomi is an important partner, shareholder, and customer of the company. Sales to Xiaomi exceeded 85% of total revenues in the last six months of 2024. Obviously, the loss of Xiaomi as a customer would severely impact Viomi and the valuation of the company's ADSs. The company's relationship with Xiaomi is based on a series of contracts that are subject to early termination by Xiaomi under certain circumstances. The company has extended its relationship for the sale of water products to Xiaomi for another three years through 2027.
- The company is in the middle of a major manufacturing capacity expansion to be completed in 5 years. The first phase of this expansion was completed in 2023 which brought R&D and water purification smart manufacturing to the facility. The second phase of the expansion will include upgrading the water purification supply chain capabilities. If the company experiences delays or increased costs associated with this expansion it could impact the company's ability to operate profitably.
- The company and its auditors have identified material weaknesses in the company's internal controls over financial reporting, particularly with regard to staff's familiarity with US GAAP. The company has implemented a plan to address these concerns by hiring additional staff who are familiar with US GAAP rules and providing sufficient training to existing staff. The dismissal of PwC as the company's auditor after raising concerns around a loan is also worth noting.
- The company has a dual-class share structure with Class A and Class B shares. The Class B shares entitle the holders to 10 votes at the company's annual meeting versus just one vote for Class A shares. The holders of the Class B shares, principally the company's CEO and a subsidiary of Xiaomi, control over 90% of the voting rights of the company and will be able to exercise substantial control in directing all matters that come before the company for a vote.
- The company's operating entities currently conduct all of its operations in China and the People's Republic of China (PRC) and the government has "significant oversight and discretion" over its business. Additionally, economic challenges in China could have a material impact on the company's business.
- The company's core market – water purification solutions – is competitive in China and there can be no assurances that the company will be able to compete effectively with larger international companies when it enters other markets.

<sup>1</sup> [https://en.qsttheory.cn/2025-01/09/c\\_1063112.htm](https://en.qsttheory.cn/2025-01/09/c_1063112.htm)



## PROJECTED INCOME STATEMENT

Viomi Technology Co., Ltd.

In USD at RMB 7.18 = 1 USD

8/23/25

(Millions USD; December Year-End)

### Revenues:

A related party (Xiaomi)

% change (yoy)

Third parties

% change (yoy)

**Total Revenues**

% change (yoy)

Cost of Revenues

**Gross Profit**

% change (yoy)

**Gross Profit Margin**

### Operating Expenses:

Research & Development Expense

Selling & Marketing Expense

General & Administrative Expense

**Total Operating Expenses**

% change (yoy)

other income, net

**Operating Income (Loss)**

Interest & Investment Income/(Loss)

Other non-operating income

**Income before Taxes**

Income (Taxes)/Benefit

**Net income from continuing operations**

**Net (loss)/income from discontinued operations**

Less: Net loss attributable to non-controlling interest

**Net Income (Loss) reported**

**Net Income in \$**

**EPS reported**

**Earnings Per ADS**

% change (yoy)

Diluted Shares (weighted average)

ADS outstanding

### Margins:

**Gross Margin**

	June	Dec		June	Dec		June	Dec	
	H1 24 A	H2 24 A	2024A	H1 25 E	H2 25 E	2025E	H1 26 E	H2 26 E	2026
<b>Revenues:</b>									
A related party (Xiaomi)	672.7	1,146.4	1,819.1	160.4	185.5	347.0	126.0	205.9	331.8
% change (yoy)									
Third parties	164.0	135.9	299.9	28.3	25.3	53.8	22.2	28.1	50.3
% change (yoy)									
<b>Total Revenues</b>	<b>837</b>	<b>1,282</b>	<b>2,119</b>	<b>189</b>	<b>211</b>	<b>401</b>	<b>148</b>	<b>234</b>	<b>382</b>
% change (yoy)									
Cost of Revenues	577	993	1,570	144	156	300	110	173	282
<b>Gross Profit</b>	<b>259</b>	<b>289</b>	<b>549</b>	<b>45</b>	<b>55</b>	<b>100</b>	<b>39</b>	<b>61</b>	<b>100</b>
% change (yoy)									
<b>Gross Profit Margin</b>	<b>31.0%</b>	<b>22.6%</b>	<b>25.9%</b>	<b>23.9%</b>	<b>26.1%</b>	<b>25.0%</b>	<b>26.1%</b>	<b>26.2%</b>	<b>26.2%</b>
<b>Operating Expenses:</b>									
Research & Development Expense	75	68	143	11	10	21	10	10	21
Selling & Marketing Expense	97	115	211	21	21	42	15	21	35
General & Administrative Expense	32	39	71	6	6	12	6	6	12
<b>Total Operating Expenses</b>	<b>203</b>	<b>222</b>	<b>425</b>	<b>37</b>	<b>37</b>	<b>75</b>	<b>31</b>	<b>37</b>	<b>68</b>
% change (yoy)									
other income, net	16.6	15.9	32.5	2.1	2.1	4.2	2.0	1.9	3.9
<b>Operating Income (Loss)</b>	<b>73</b>	<b>84</b>	<b>156</b>	<b>10</b>	<b>20</b>	<b>30</b>	<b>10</b>	<b>26</b>	<b>36</b>
Interest & Investment Income/(Loss)	9	(4)	5	1	1	2	1	1	2
Other non-operating income	0	0	0	0	0	-	0	0	0
<b>Income before Taxes</b>	<b>82</b>	<b>80</b>	<b>162</b>	<b>11</b>	<b>21</b>	<b>32</b>	<b>11</b>	<b>27</b>	<b>38</b>
Income (Taxes)/Benefit	(9)	(8)	(17)	(2)	(4)	(7)	(2)	(6)	(8)
<b>Net income from continuing operations</b>	<b>73</b>	<b>71</b>	<b>145</b>						
<b>Net (loss)/income from discontinued operations</b>	<b>(68)</b>	<b>(15)</b>	<b>(82)</b>	0	0	-	0	0	-
Less: Net loss attributable to non-controlling interest	(0)	(1)	(1)	0	0	0	0	0	0
<b>Net Income (Loss) reported</b>	<b>6</b>	<b>57</b>	<b>63</b>	<b>8</b>	<b>16</b>	<b>25</b>	<b>8</b>	<b>21</b>	<b>30</b>
<b>Net Income in \$</b>									
<b>EPS reported</b>	<b>0.03</b>	<b>0.28</b>	<b>0.31</b>	<b>0.04</b>	<b>0.08</b>	<b>0.12</b>	<b>0.04</b>	<b>0.10</b>	<b>0.14</b>
<b>Earnings Per ADS</b>	<b>0.09</b>	<b>0.83</b>	<b>0.92</b>	<b>0.12</b>	<b>0.24</b>	<b>0.36</b>	<b>0.12</b>	<b>0.30</b>	<b>0.42</b>
% change (yoy)	-111%	-293%	-175%						
Diluted Shares (weighted average)	206.5	207.0	206.7	208.0	208.5	208.3	209.0	209.6	209.3
ADS outstanding	68.8	69.0	68.9	69.3	69.5	69.4	69.7	69.9	69.8
<b>Margins:</b>									
<b>Gross Margin</b>	<b>31.0%</b>	<b>22.6%</b>	<b>25.9%</b>	<b>23.9%</b>	<b>26.1%</b>	<b>25.0%</b>	<b>26.1%</b>	<b>26.2%</b>	<b>26.2%</b>

1 ADS (American Depository Share) = 3 ordinary shares

\* Disposed businesses now reclassified as discontinued operations

Source: Zacks SCR, Brian Lantier, Company Filings



## BALANCE SHEET

Viomi Technology Co., Ltd.

Balance Sheet in RMB (RMB 7.2993to US \$1.00)

12/31/24

(Renminbi RMB in Millions) 12/31/24

### Assets

Current Assets	RMB	USD
Cash and Cash Equivalents	1,026	141
Restricted Cash Current	141	19
Short-term Deposits	115	16
Short-term Investments	73	10
Accounts and Notes Receivable from 3rd Parties (net)	24	3
Accounts and Notes Receivable from Related Party (net)	591	81
Inventories	112	15
Prepaid expenses and other current assets	71	10
Other receivables from related parties	11	2
<b>Total current assets</b>	<b>2,165</b>	<b>297</b>

### Non-Current Assets

Prepaid expenses and other non-current assets	18	2
Property & Equipment (net)	315	43
Deferred Tax Assets	10	1
Intangible Assets (net)	9	1
Right of use asset	3	0
Land use rights, net	58	8
Long-term investment	8	1
<b>Total non-current assets</b>	<b>420</b>	<b>58</b>

<b>Total Assets</b>	<b>2,586</b>	<b>354</b>
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### Liabilities

#### Current Liabilities

Short-Term borrowing	50	7
Accounts and notes payable	772	106
Advances from customer	12	2
Amount due to related parties	1	0
Accrued expenses and other liabilities	168	23
Income Tax Payable	10	1
Lease liabilities due within one year	2	0
Long-term borrowing-current portion	29	4
<b>Total current liabilities</b>	<b>1,044</b>	<b>143</b>

#### Non-Current Liabilities

Accrued expenses	15	2
Long-term borrowing	76	10
Lease liabilities	2	0

<b>Total Liabilities</b>	<b>1,136</b>	<b>156</b>
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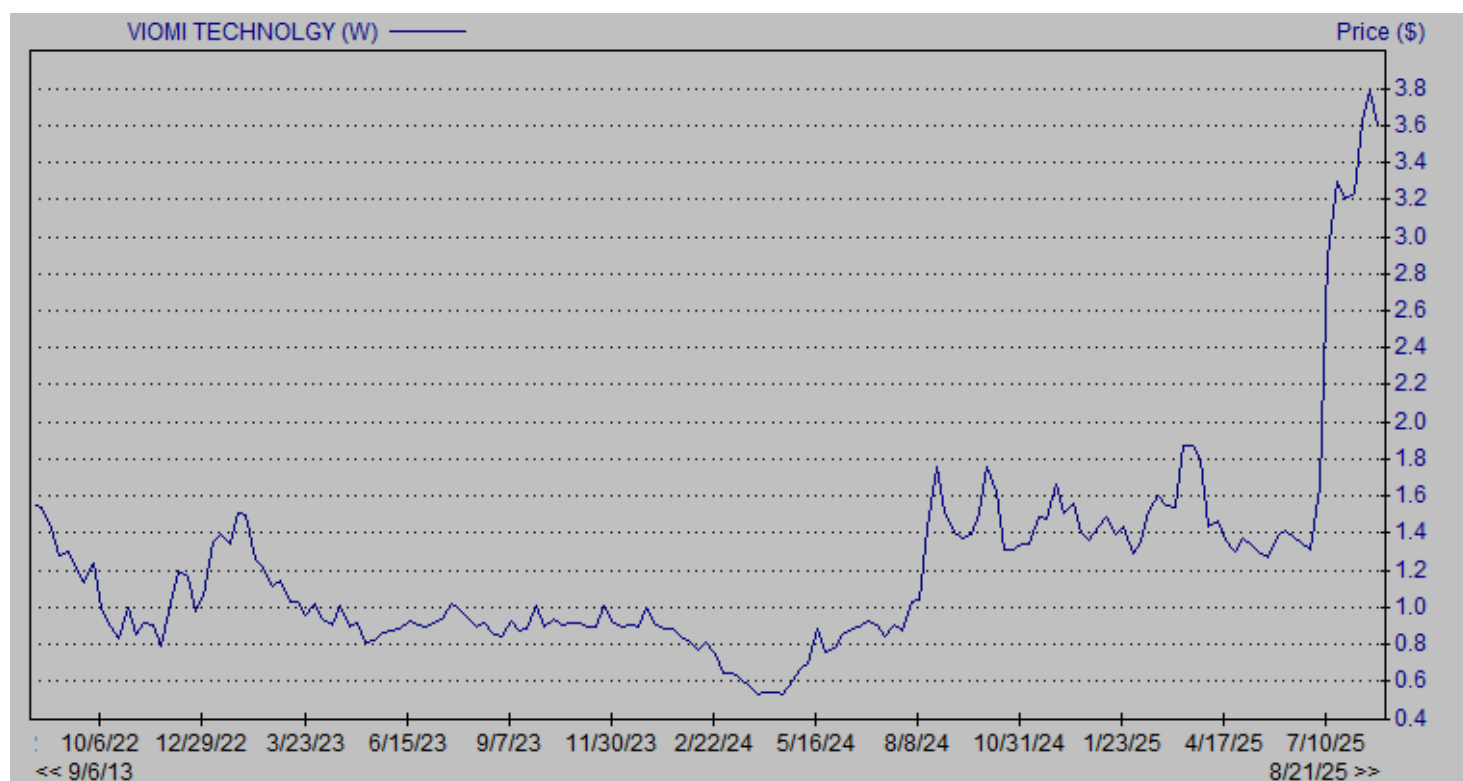
### Shareholder's Equity

Ordinary Shares	0	0
Treasury Shares	-85	-12
Additional Paid-in Capital	1,374	188
Accumulated Other Comprehensive Loss	2	0
Retained Earnings	153	21
Non-controlling interests	5	1
<b>Shareholder's Equity (Deficiency)</b>	<b>1,450</b>	<b>199</b>

<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>2,586</b>	<b>354</b>
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Source: Company Press Release

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